



MEMORANDUM NO.: 5

TO: School District Superintendents
School Food Service Directors/Supervisors

FROM: Todd A. Bedenbaugh, Interim Director
Office of School Food Services and Nutrition

DATE: October 7, 2008

RE: Misuse of School Food Service Funds
Interest Earned on School Food Service Funds

Recent reviews have disclosed situations in which local school districts have misused program funds. Specifically funds were being utilized for non-program purposes in direct violation of 7 Code of Federal Regulations, Part 210.14(a) that states "Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service...." According to U. S. Department of Agriculture (USDA) school districts that are determined to be in violation of this regulation will have reimbursement suspended pending the resolution and restitution of the amount due.

Whereas this policy does not prohibit the district from making an internal loan, the attached document outlines the conditions that must be met, before and after, if loans are made from school food service funds.

Another situation that requires clarification is that of interest earned on school food service funds. According to USDA, Policy Memorandum 88-4, any interest earned on school food service funds, children's lunch payments, and program reimbursement must be credited to the school food service fund and used only for program purposes.

USDA funds for program reimbursement must be entered into the school food service funds as soon as possible on receipt. If program reimbursement funds are held in a different fund, (such as a district's general fund) before placing it into the school food service fund, any interest on this USDA revenue must also be credited to the school food service fund. This policy regarding loans and interest earned on school service funds is included in the compliance requirements of the annual Single Audit Guidelines issued by the Department of Education.

/ddg
Attachment

